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October 15, 2010

Mr. Darrick Moe  
Desert Southwest Regional Manager  
Western Area Power Administration  
P.O. Box 6457  
Phoenix, AZ 85005-6457

Re: SPPR Proposal to Fund Transmission Upgrades as Parker-Davis Project Activities

Dear Mr. Moe:

Salt River Project Agricultural Improvement and Power District ("SRP") appreciates the opportunity to comment on the updated Southwest Public Power Resources Group ("SPPR") proposal presented on October 6, 2010 at Western's Desert Southwest Regional office. When the original SPPR proposal was presented, SRP and other Parker-Davis customers expressed concerns that the repayment obligation associated with those portions of the project using Transmission Infrastructure Program funding would be borne by all Parker-Davis customers, including those not participating in or needing the project facilities.

At the October 6<sup>th</sup> meeting, Western presented a proposed accounting mechanism that would isolate the repayment of the SPPR project capital and O&M expenses from the balance of the Parker-Davis Project repayment obligations, thereby mitigating the risk to other Parker-Davis customers. SRP applauds and appreciates the creative efforts of you and your staff to address our concerns. While there remain details to be addressed and the exact rate structure to be defined, if the concept of the proposed structure can be implemented, it will address SRP's primary concerns.

We look forward to working with Western and the other Parker-Davis customers to develop a mutually acceptable final rate and repayment structure that will allow the project to move forward, while appropriately managing the risks.

Respectfully submitted,

A handwritten signature in blue ink that reads "Mark S. Mitchell". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Mark S. Mitchell, Supervisor  
Regulatory Affairs and Contracts